

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI  
NORTHERN DIVISION

UNITED STATES OF AMERICA, ET AL. PLAINTIFFS

VERSUS CIVIL ACTION NO. 3:12-CV-790-HTW-LGI

THE CITY OF JACKSON, MISSISSIPPI, ET AL. DEFENDANTS

STATUS CONFERENCE  
BEFORE THE HONORABLE HENRY T. WINGATE,  
UNITED STATES DISTRICT COURT JUDGE,  
MARCH 18, 2024,  
JACKSON, MISSISSIPPI

(APPEARANCES NOTED HEREIN.)

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8 ALSO PRESENT:

9 TED HENIFIN, THIRD-PARTY MANAGER  
10 SUSAN RICHARDSON (VIA ZOOM)  
11 SUZANNE ARMOR (VIA ZOOM)  
12 JIM VINCH (VIA ZOOM)  
13 SUZANNE RUBINI (VIA ZOOM)  
14 GERALD KUCIA, ESQUIRE (VIA ZOOM)  
15 JONATHAN M. BARNES, ESQUIRE  
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1                                   **IN OPEN COURT, MARCH 18, 2024**

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3                   THE COURT:   Terri, call the case, please.

4                   THE COURTROOM DEPUTY:   Your Honor, this is United  
5                   States of America versus City of Jackson, Civil Action  
6                   Number 3:12-cv-790-HTW-LGI, as well as related case  
7                   3:22-cv-686-HTW-LGI.   We are here this morning for a status  
8                   conference, and at this time, I'm going to ask the parties  
9                   to state their names for the record, starting with the  
10                  plaintiff.

11                  THE COURT:   All right.   Please do so.

12                  MR. FINGERHOOD:   Good morning, Your Honor.   Karl  
13                  Fingerhood, U.S. Department of Justice, Environmental  
14                  Enforcement Section.

15                  THE COURT:   All right.   Good morning.

16                  MS. PAIGE:   Good morning, Your Honor.   Mitzi Dease  
17                  Paige, U.S. Attorney's Office here in Jackson, Civil Division.

18                  THE COURT:   Okay.   Good morning to you.

19                  MS. PAIGE:   Good morning.

20                  MR. FURRH:   Good morning, Your Honor.   Roy Furrh with  
21                  the Mississippi Department of Environmental Quality.

22                  THE COURT:   All right.

23                  MS. HODGES:   Good morning, Your Honor.   Donna Hodges  
24                  with the Mississippi Department of Environmental Quality.

25                  THE COURT:   All right.

1 MR. MARTIN: Drew Martin with the City of Jackson.

2 THE COURT: Okay.

3 MR. WILLIAMSON: Terry Williamson, City of Jackson.

4 THE COURT: All right.

5 MR. HENIFIN: Ted Hinifin, interim third-party manager.

6 THE COURT: All right.

7 MS. WILSON: Malissa Wilson, counsel for the interim  
8 third-party manager, Ted Hinifin.

9 THE COURT: All right.

10 MR. MCGUFFEY: Mitch McGuffey, also counsel for the  
11 interim third-party manager.

12 THE COURT: Okay.

13 MR. TOM: Good afternoon, Your Honor. My name is  
14 Joshua Tom. I'm here for --

15 (Courtroom deputy interruption.)

16 Good afternoon, Your Honor. My name is Joshua Tom.  
17 I'm here on behalf of the proposed intervenors, Mississippi  
18 Poor People's Campaign, and the People's Advocacy Institute.

19 THE COURT: All right. Thank you so much.

20 MR. BARNES: Good morning, Your Honor. This is  
21 Jonathan Barnes for Lakeland Seniors. We are not a party,  
22 but we are interested -- interested party to the action.

23 THE COURT: All right. Good morning.

24 MR. CALAMITA: Your Honor, Paul Calamita, also for the  
25 interim third-party manager.

1 THE COURT: All right. Thank you. Good morning.

2 MR. VINCH: This is Jim Vinch, an attorney with the  
3 United States Environmental Protection Agency in Washington,  
4 D.C.

5 THE COURT: Okay. Good morning.

6 MR. KUCIA: Gerald Kucia on behalf of the Mississippi  
7 Department of Health.

8 THE COURT: All right. Good morning.

9 MS. WILLIAMS: Angela Givens Williams, Your Honor, on  
10 behalf of the United States.

11 THE COURT: Okay. Next?

12 MS. MO: And Angela Mo with the U.S. Department of  
13 Justice Environmental Enforcement Section on behalf of the  
14 United States.

15 THE COURT: All right. Next?

16 MS. ARMOR: Good morning, Your Honor. Suzanne Armor,  
17 United States Environmental Protection Agency.

18 THE COURT: All right. Next?

19 MS. RICHARDSON: Good morning, Your Honor. Susan  
20 Richardson for Patrick Townsend on behalf of the City of  
21 Jackson.

22 THE COURT: All right. Good morning.

23 MS. RICHARDSON: Good morning.

24 MS. RUBINI: Good morning, Your Honor. Suzanne Rubini  
25 U.S. EPA Region 4.

1 THE COURT: Okay. Thank you.

2 Next? Did I miss anyone?

3 Okay. Did I miss -- go ahead.

4 MS. EARLY: Hi. Emily Early on behalf of the proposed  
5 plaintiff intervenors, Mississippi Poor People's Campaign,  
6 and the People's Advocacy Institute.

7 THE COURT: All right. Good morning to you.

8 MS. EARLY: Good morning.

9 THE COURT: Now, did I miss anyone?

10 MS. HERNANDEZ: Yes, Your Honor. Just Mikaila  
11 Hernandez for the proposed intervenor plaintiff, People's  
12 Advocacy Institute, and Mississippi Poor People's Campaign.

13 THE COURT: Okay. Thank you. Good morning to you.

14 Now, again, did I miss anyone?

15 All right. Does not appear that I have missed anyone.

16 There are a number of matters I want to address. First  
17 of all, I want to address a pressing concern of Mr. Henifin  
18 relative to the moneys that need to be provided for the  
19 vendors who have been given contracts and are awaiting  
20 payments for same.

21 So then I'll start with Mr. Henifin. Mr. Henifin,  
22 would you go to microphone, make sure that it's on, and give  
23 us a comprehensive overview of what's happening here.

24 MR. HENIFIN: Yes, Your Honor. Thank you.

25 So we were in this courtroom on the 27th of February,

1 and I left under the impression that we were going to return  
2 to the status quo of grant funding appearing in the account,  
3 in the ASAP account, for me to draw down and pay vendors as  
4 I needed it.

5 The grant was approved at 115 million. Initial  
6 allocation was 44 million based on the first year budget.  
7 We've received another 15 in December, and then the day  
8 after our status conference, I received 10 million to pay  
9 the outstanding invoices I was holding at that time. EPA  
10 had been talking about a reimbursement model, but we had not  
11 seen anything in writing at that point.

12 So when we left the courtroom, I was under the  
13 impression that they would provide any proposed changes to  
14 the Court before they instituted those. So then I received  
15 the first writing from EPA on this subject on March 8th,  
16 Friday afternoon, where they provided the report of their  
17 compliance assistance visit, spent the weekend responding to  
18 those findings, and sent my response on Wednesday, March  
19 13th.

20 On -- surprised on March 15th to get a notice of  
21 special conditions from EPA that didn't take into account  
22 any of the information we provided as a result of the  
23 response to their -- to their report from the compliance  
24 assistance visit. So from that, I take it that they just  
25 unilaterally put these forward. I received it from the



1 Office of Grants and Debarment about 16 minutes before you  
2 received it in the court, and so, again, I didn't see where  
3 the process that we had laid out in this courtroom on the  
4 27th played out the way I thought it was going to play out,  
5 where they would provide that in writing to you, you could  
6 consider it, we could ask questions, we could have some  
7 discussion before it went into effect.

8 But the letter that I received on the 15th, just last  
9 Friday, said it was effective immediately, that we would be  
10 in a reimbursement mode. So I have been sending invoices,  
11 because when I received the \$10 million on February 28th, at  
12 the time when I was in the courtroom, I said we had about 7  
13 million outstanding invoices at that point in time. Paid  
14 those invoices on the 28th after receiving the \$10 million,  
15 and then in the subsequent days, ran the rest of the money  
16 down with other eligible invoices that needed to be paid, so  
17 effectively was out of money again in the first week of  
18 March.

19 Been notifying EPA's Office of Water Grants folks about  
20 that and sending them invoices as they've come in, and now  
21 we are over \$10 million in outstanding invoices that are now  
22 in the possession of EPA's Office of Water, and they are  
23 asking questions about those invoices. Again, raising the  
24 issue, if they decide to dispute an invoice or not pay an  
25 invoice, I've got no reserves to pay that. I have put

1 contractors out in the field, told them they were authorized  
2 to do the work. I've got nothing to pay them if I don't  
3 have these grant funds in the bank or at least available at  
4 that point in time.

5 So this is putting us in a very tough position, and if  
6 this continues, I'm going to be forced to the tell the  
7 contractors they're operating at their own risk.

8 THE COURT: So now, at present, you have some  
9 outstanding invoices, which total to approximately 10  
10 million?

11 MR. HENIFIN: Yes, Your Honor.

12 THE COURT: The last time we were here, you mentioned  
13 the problem you were having on acquiring moneys to pay the  
14 vendors, and at that time, there was an agreement, I  
15 thought, that had been reached that you were going to be  
16 given enough moneys to pay those vendors.

17 Was that your understanding?

18 MR. HENIFIN: Yes, Your Honor.

19 THE COURT: So instead of getting that money, you are  
20 saying that, instead you have now been told that EPA will  
21 only pay on a reimbursement system. Is that correct?

22 MR. HENIFIN: Yes, Your Honor.

23 THE COURT: Now, a reimbursement system means that if  
24 you award projects to various contractors, that they would  
25 be performing those contracts at their own peril. Is that

1 so.

2 MR. HENIFIN: That's how I understand it, yes, Your  
3 Honor.

4 THE COURT: Because then if they are awarded the  
5 contracts and if then during the award period they perform,  
6 they still have to have trust that EPA is going to release  
7 the funds to you to release to them?

8 MR. HENIFIN: Yes, Your Honor.

9 THE COURT: And if EPA does not release the funds, then  
10 what happens?

11 MR. HENIFIN: I have got no money to pay them, so they  
12 would have to sue me, I guess. I'm not really sure.

13 THE COURT: And at present, there are about \$10 million  
14 outstanding?

15 MR. HENIFIN: That's correct, Your Honor.

16 THE COURT: And tell us how long that sum of money has  
17 been outstanding for these vouchers.

18 MR. HENIFIN: These are only about a week old at this  
19 point, Your Honor, since the 8th of March.

20 THE COURT: And I would imagine, Mr. Henifin, that the  
21 trust and the confidence of the contractors is vital to this  
22 procedure, because you have to pick the appropriate vendor  
23 whom you think to be the best and ablest to perform the  
24 work. But if they are not certain or confident that they'll  
25 be paid, then we will be in danger of some of these best and

1       ablest not accepting the work.

2               MR. HENIFIN: That's a potential, Your Honor, yes. I  
3       actually have one of those invoices is older than March 8th,  
4       because I overlooked payment on an invoice to one of our  
5       consultants that's now -- was originally submitted on  
6       January 25th, so we're waiting on that payment as well.

7               THE COURT: So this concern that I just announced, has  
8       that been a concern enumerated by any of the vendors or  
9       potential vendors?

10              MR. HENIFIN: I have gotten questions lately about,  
11       asking if they've done something wrong, because their  
12       payments aren't coming the way they used to come. I've been  
13       explaining to them that the payment method or the -- or the  
14       way the money flows from EPA has changed, they are not doing  
15       anything wrong, I'll get them paid as soon as I get the  
16       money from EPA.

17              THE COURT: You said they have asked whether they've  
18       done something wrong?

19              MR. HENIFIN: They were concerned that I was  
20       withholding payment for some other reason.

21              THE COURT: And in the past before EPA took this  
22       position, what was the timeframe that they were being paid,  
23       the interval?

24              MR. HENIFIN: We would typically pay within a week of  
25       receiving an invoice, often within days.

1 THE COURT: Okay. And we are beyond that now?

2 MR. HENIFIN: Yes, Your Honor.

3 THE COURT: Well, have you gotten any letters of  
4 complaints by any vendors at this point?

5 MR. HENIFIN: No letters, Your Honor. Just a couple of  
6 phone calls.

7 THE COURT: And did you explain to them why the  
8 payments on these invoices, these payments have not been  
9 made?

10 MR. HENIFIN: Yes. I told them that the EPA process  
11 had changed, and I was waiting on getting additional funds.

12 THE COURT: And did any of these vendors issue any  
13 threats of discontinuation?

14 MR. HENIFIN: No, they did not.

15 THE COURT: And where are these vendors with regard to  
16 their completion of their particular projects?

17 MR. HENIFIN: On the case of one of the biggest ones,  
18 Jacobs, there's isn't a -- has a completion date. They are  
19 running the plants, so we depend on them totally to provide  
20 the safe-treated drinking water that goes into the system.  
21 So the longer we delay payment on them, the more they may be  
22 scratching their head about entering a long-term contract.

23 Our current method at the current time, we are in a  
24 reimbursable contract with them, hoping to enter a 10-year  
25 contract with them when we resolve a few issues we've got

1 outstanding on some liability language. But once that's  
2 done, we would like to enter a 10-year deal with them.  
3 Obviously, this might put some shade on that.

4 THE COURT: When did you find out that EPA was not on  
5 the same thought processes that you were on with regard to  
6 the timely payment of those vouchers?

7 MR. HENIFIN: Really it just -- it started after  
8 Christmas. The first of the year, they started saying that  
9 because of the compliance assistance visit and their  
10 findings, that they weren't going to fund the grant the way  
11 they had in the past. So they didn't provide anything in  
12 writing, but what they didn't do is provide any money in the  
13 account. So it's, essentially, we have been waiting on the  
14 official letter or report from EPA since the beginning of  
15 the year when they stopped putting money into the grant  
16 account.

17 THE COURT: Did they tell you why they found it  
18 necessary to change the procedure?

19 MR. HENIFIN: They had a few issues in that they had  
20 expressed in -- verbally to me, and then in writing when we  
21 did get the report this past Friday, or the 8th, rather, two  
22 weeks ago, a week ago Friday, that we couldn't reconcile  
23 specific drawdowns with specific invoices. That was because  
24 at the time, we didn't realize that was needed. We can  
25 reconcile every dollar we've spent to eligible grants

1 expenses, but they were under the impression that I needed  
2 to be able to prove every time I drew money down and say  
3 exactly what that was -- what invoice that went to pay for,  
4 which we didn't understand that as a requirement of the  
5 grant when we took the money.

6 Once they pointed that out in November, we changed our  
7 process to do that. So now every time we drawn money down,  
8 we get a receipt, PDF file from the system that the EPA  
9 uses. We annotate that with the specific invoices that that  
10 drawdown went for, and the money moves almost immediately  
11 from EPA to our bank account to our vendors, in very short  
12 order.

13 THE COURT: Apparently you didn't recognize that EPA  
14 was reserving, to itself, the right to refuse to pay?

15 MR. HENIFIN: Correct.

16 THE COURT: And that's EPA is now saying. Is that  
17 correct?

18 MR. HENIFIN: Essentially.

19 THE COURT: And did the EPA give you a reason why they  
20 wanted to change the -- the protocol for payment?

21 MR. HENIFIN: Again, it's because they said I wasn't  
22 following their normal grant procedures, they couldn't -- I  
23 couldn't, at the time, tie specific invoices to specific  
24 draws.

25 So after receiving the written report on Friday the

1 8th, I spent the next five days going back and doing the  
2 forensic accounting to tie those back together and provided  
3 that information to them on the 13th. So we have now gone  
4 back and tied every draw to eligible grant expenses and  
5 provided all of that data to EPA.

6 THE COURT: So where is EPA now after you have done  
7 that?

8 MR. HENIFIN: They didn't respond to that, instead they  
9 sent their letters putting the special conditions on us for  
10 not doing that.

11 THE COURT: Okay. With whom have you been dealing?

12 MR. HENIFIN: So largely, I deal with the Office of  
13 Water. I think part of the challenge here is the Office of  
14 Water is who -- from EPA, is who negotiated this stipulated  
15 order, who has been at the table the whole time and been a  
16 good partner. And they are -- also have a grant management  
17 group in the Office of Water, and I have been dealing with  
18 them directly.

19 On top of that, now, you have got the Office of Grants  
20 and Debarment, and that group seems to operate totally  
21 independent of the Office of Water, and there is no  
22 connection. We're not sure where they come together, if  
23 they ever come together. So they seem to be operating very  
24 independently from the Office of Water, under the umbrella  
25 of EPA.



1 THE COURT: And who is present here today?

2 MR. HENIFIN: From either of those?

3 THE COURT: That's right.

4 MR. HENIFIN: I don't believe we have -- we've got some  
5 lawyers online, I think, from the Office of Water that are  
6 in -- on the Zoom call, nobody from the Office of Grants and  
7 Debarment that I recognize.

8 THE COURT: Have you ever talked to somebody directly  
9 from that office?

10 MR. HENIFIN: I have met with them when they came to  
11 town doing their compliance assistance visit in November,  
12 and I have had a -- at least one virtual meeting with some  
13 of their folks, and I have had a couple of phone calls.

14 THE COURT: So then who makes the decision, the final  
15 decisions, on these matters?

16 MR. HENIFIN: I would assume the matter that we have in  
17 front of us is the Office of Grants and Debarment, would  
18 make the final decision.

19 THE COURT: Not Water?

20 MR. HENIFIN: Not the Office of Water, I don't believe,  
21 but I'm not privy, really, to the inner workings of EPA.

22 THE COURT: But water is the one who comes here?

23 MR. HENIFIN: Yes, Your Honor.

24 THE COURT: To talk about what the decisions are on  
25 these matters?

1 MR. HENIFIN: Yes, Your Honor.

2 THE COURT: And from whom do you get your  
3 correspondence in writing?

4 MR. HENIFIN: Most of the time, it has been Office of  
5 Water until this past -- you know, a week ago Friday was the  
6 first time I have gotten correspondence directly from the  
7 Office of Grants and Debarment, for the exception of when  
8 they set up the compliance assistance visit, I got some  
9 correspondence from them back in November.

10 THE COURT: What was your understanding -- when we  
11 started this process and you were dealing with EPA, what was  
12 your understanding as to which branch you were going to be  
13 dealing with?

14 MR. HENIFIN: I don't really think in terms of  
15 branches. I think in terms of United States Environmental  
16 Protection Agency, how those people have introduced  
17 themselves on these calls. And I would think that, at some  
18 point, whoever dealt with the -- the negotiation of this  
19 order -- these orders, actually, two of them, that that  
20 would be the people we would be dealing with, and they would  
21 work their inner EPA issues out amongst themselves.

22 THE COURT: From the way you are describing this, is  
23 that there are two wings of EPA, at least, and from the way  
24 you describe it, I'm not sure they talk to each other.

25 MR. HENIFIN: It doesn't appear to. Thankfully, we are

1 not dealing with soil or trash or air. We would have a  
2 whole bunch of different wings of EPA floating around.

3 THE COURT: But these two wings that we are talking  
4 about now, do you have any confidence that they talk to each  
5 other?

6 MR. HENIFIN: I think there's some communication, but I  
7 don't know, you know, at what level and it's, you know,  
8 whose got the controlling decision-making power.

9 THE COURT: Do you know whether they have the same  
10 lawyers, or they have different attorneys?

11 MR. HENIFIN: They are all represented by the  
12 Department of Justice, Your Honor.

13 THE COURT: Well, but the ones that are coming here to  
14 report?

15 MR. HENIFIN: I have not seen anyone from the Office of  
16 Grants and Debarment.

17 THE COURT: So you don't know whether the ones who are  
18 here represents the other wing?

19 MR. HENIFIN: I know they operate with the Office of  
20 Water. I have no idea if they operate -- or if they  
21 represent the Office of Grants and Debarments.

22 THE COURT: Let's talk about the problem that you're  
23 having now on this different approach that is supposed to be  
24 followed now, this approval process after the vendors have  
25 been let, and after they may have even done the work.

1 Have you talked to EPA here about your situation?

2 MR. HENIFIN: I have talked to the Office of Water  
3 about this many times, their grant folks. Again, they have  
4 been cooperative and seem to want to help, but I don't know  
5 they have got any control over what the Office of Grants and  
6 Debarment is doing.

7 THE COURT: In other words, you don't know whether they  
8 have the power?

9 MR. HENIFIN: Correct.

10 THE COURT: Did you ask them did they have the power?

11 MR. HENIFIN: We asked for a decision-maker at one  
12 point, said who -- where does this come together, and who  
13 makes the decisions? But we have never received a single  
14 point of contact that can combine those two.

15 THE COURT: I seem to recall that this question on the  
16 decision-making -- maker was proposed to EPA some time ago?

17 MR. HENIFIN: Yes, Your Honor.

18 THE COURT: In fact, seems like that was as far back as  
19 maybe during the Christmas?

20 MR. HENIFIN: Probably right after the holidays, yes,  
21 Your Honor.

22 THE COURT: When -- because I remember I asked that  
23 question, and so you are saying you did not get an answer  
24 since that time as to who makes the decision?

25 MR. HENIFIN: No, Your Honor.

1 THE COURT: I guess that also means that you didn't get  
2 an answer as to who has the power to deny the request?

3 MR. HENIFIN: Correct.

4 THE COURT: Let's talk about the appeal process.  
5 There's an appeal process for their latest decision. Is  
6 that correct?

7 MR. HENIFIN: Yes, there is. So we followed that and  
8 filed that appeal this morning. But there doesn't seem to  
9 be a timeframe at which they have to make a decision on the  
10 appeal. There's a clear timeframe for us to appeal within  
11 30 days, but there is no timeframe on the response to the  
12 appeal.

13 THE COURT: Well, if there is no timeframe for EPA to  
14 resolve the matter, does that mean that the vendors would be  
15 sitting without money for quite a while?

16 MR. HENIFIN: Potentially, yes, Your Honor.

17 THE COURT: Tell me about the appeal process.

18 MR. HENIFIN: It seemed fairly straightforward. They  
19 required that I had to submit the basis of the appeal by  
20 email to a Mr. Hughes, and I did that this morning with the  
21 basis of appeal. I had really listed five points, that they  
22 failed to consider our response to the technical assistance  
23 review, which, again, I submitted on the 13th, and they sent  
24 this letter on the 15th.

25 I've submitted a corrective action plan, which solves

1 most of the issues. Unsupported -- which I submitted the  
2 corrective action plan with this appeal. Unsupported  
3 drawdowns, again, that was covered by the March 13th  
4 response.

5 I talked about the grants are supporting the emergency  
6 restoration of water and sewer, and that the -- you know,  
7 JXN Water is a new entity that was formed for this purpose  
8 by the stipulated order and has no financial reserves, can't  
9 pay invoices prior to drawing them down, as would typically  
10 happen in a reimbursement model. You know, we are not  
11 dealing with a city with any kind of reserves. We are  
12 dealing with a private entity that has no reserves.

13 I asked for specific relief, which was the other piece  
14 of a appeal that was supposed to be in there. It's very  
15 simple. Immediate review and approval of the corrective  
16 action plan, immediate withdrawal of the special conditions  
17 upon approval without waiting for the corrective action plan  
18 to be fully implemented, and that the balance of the 115  
19 million approved grant be made available in the ASAP System  
20 by 22 March with the approval --

21 THE COURT: Could you slow down some?

22 MR. HENIFIN: I'm sorry.

23 THE COURT: Okay.

24 MR. HENIFIN: Got rolling.

25 So the last one would be that the balance of

1       \$115 million approved grant be made available in the ASAP  
2       System by March 22nd, and the approval of the \$30 million  
3       amendment that has been pending be approved by April 1st.

4               So those were the relief sought and the basis of  
5       appeal, and that was submitted this morning.

6               THE COURT: And you have no idea how long EPA might  
7       take on resolving that matter?

8               MR. HENIFIN: No, Your Honor.

9               MS. WILSON: The Court's indulgence, Your Honor?

10              MR. HENIFIN: My lawyer is telling me they have  
11       180 days to respond, Your Honor.

12              THE COURT: Who has 180 days?

13              MR. HENIFIN: EPA, to respond to the appeal.

14              THE COURT: So they have six months to respond?

15              MR. HENIFIN: Yes, Your Honor.

16              THE COURT: If they have that length of time to  
17       respond, six months, what -- what adversities might we  
18       suffer during that time period?

19              MR. HENIFIN: I think we could have some stopped work  
20       if this is continued to languish. We could continue  
21       local-funded work, and we might have to stop the  
22       grant-funded work until we can get this resolved, which,  
23       essentially, is all the Drinking Water work, and I'm not  
24       really sure how we deal with Jacobs who is under contract to  
25       operate the plants.

1 THE COURT: So that 180 days begins to run when?

2 MR. HENIFIN: When I submit the appeal, which was  
3 today, this morning.

4 THE COURT: Okay.

5 MR. HENIFIN: I'm appealing their decision they gave us  
6 Friday. I took three days to -- over the weekend, to submit  
7 my appeal. They are going to take 180 days to decide  
8 whether or not to grant that. This is not Atypical of EPA,  
9 Your Honor.

10 THE COURT: What do you mean by that?

11 MR. HENIFIN: They typically put very short time frames  
12 on folks. Like, I had a 30-day window to make this appeal,  
13 and if I didn't appeal it in 30 days, it was a final  
14 decision. That's normal EPA language, but yet, there is no  
15 clock ticking on them, or it's a very slow clock or a  
16 calendar ticking to get to their decision point.

17 THE COURT: And if they take six months to make a  
18 decision, that would be most adverse to the progress that  
19 we've been making?

20 MR. HENIFIN: This is such an unusual situation, Your  
21 Honor. We are in an emergency trying to -- the funds we're  
22 talking about, are under a special section of the Safe  
23 Drinking Water Act for emergency measures. We are trying to  
24 spend these down quickly to solve the problems here in  
25 Jackson. We have made incredible progress on the water



1 system. Largely, because we have had this money available,  
2 and we've been able to hire contractors and move quickly to  
3 make that happen.

4 As that arose, I guess they forgot that this was an  
5 emergency less than a year ago -- or a little over a year  
6 ago, and we were desperate for solving this problem. But  
7 now that we've got it going, well, business is usual, I  
8 guess. We'll revert back to slow federal government motion.

9 That is not what we are here for. That's not what that  
10 1442(B) Section of the Safe Drinking Water Act was all  
11 about. It's about emergency measures. We need to be  
12 moving. We can't wait six months for decisions. We can  
13 barely wait six days for decisions.

14 THE COURT: You said something at one point that if we  
15 couldn't get that money timely, you might have to shut down  
16 all efforts that are now being waged?

17 MR. HENIFIN: On the -- with the -- that are being paid  
18 for with federal funding, yes, Your Honor.

19 THE COURT: That are federal-funded projects. And  
20 might have to resort to moneys that we could get out of the  
21 local rendition of moneys.

22 MR. HENIFIN: Which aren't adequate.

23 THE COURT: That's what I was about to ask. Because  
24 that's what my understanding is, it's not adequate.

25 MR. HENIFIN: Correct. You know, we are under a lot of

1 pressure to bring in more local revenue, which we are  
2 working very hard on the billing system, disconnects, trying  
3 to get people to paying their bills. We were up to, last  
4 month, 65 percent of those billed pay their bills.

5 We started the severance process, meaning we have  
6 started automatically cutting letters out of our billing  
7 system, to tell people they are going to be shut off if they  
8 don't pay within 21 days.

9 So all of that is moving forward to try to increase  
10 folks payment. We have worked hard at getting meters in the  
11 ground, making a lot of progress. But we knew we would  
12 never get to the 80 to 90 percent collection rate within the  
13 first few months. Our target this year is to try to get to  
14 80 percent from our current 65, but that's for the year.  
15 That's going to be a challenge. We are already three months  
16 into the year, and we're not getting to that point, but we  
17 are going to continue to do our best to do that.

18 That increases the amount of local revenue, but we are  
19 paying \$1.6 million a year on private debt -- I mean,  
20 \$1.6 million a month, which is really hurting us on the cash  
21 flow perspective. There is potential that we can retire  
22 some of that debt using the other federal funding we have  
23 got, which is the state revolving loan fund.

24 But we are challenged to make that work due to some  
25 statutory restrictions on the money, can only be used for

1 Drinking Water projects, and, unfortunately, we haven't been  
2 able to tease out of the 160 million in private debt that is  
3 outstanding, how much was used for Drinking Water projects  
4 and how much was used for sewer projects, and EPA wants  
5 invoices and proof of payment before they would let us  
6 retire any of that debt using the state revolving loan fund  
7 money.

8 That's a pretty convoluted conversation I just had, and  
9 I'm sorry. I live in this world right now, and it's a bit  
10 confusing. But, essentially, we are going broke with \$450  
11 million in the bank that could solve some of the problem,  
12 but we can't get everybody to play along with trying to  
13 figure out how to actually get the debt retired, or at least  
14 a portion of it that's eligible to be retired with the  
15 \$450 million that Congress provided us through the state  
16 revolving loan fund.

17 Different issue all together than the grants. Grants  
18 is 150 million, 450 is a state revolving loan fund for  
19 infrastructure projects or debt retirement or both, and  
20 that's a different issue than the one we were talking about  
21 earlier. But it is every bit as troublesome, because our  
22 local cash flow is stretched to the extreme, due to the debt  
23 we are carrying on this system.

24 THE COURT: Identify the EPA people with whom you've  
25 had this conversation.

1 MR. HENIFIN: As far as the local revenue issues, or  
2 the grant issues?

3 THE COURT: The grant issue.

4 MR. HENIFIN: The grant issues have been with Deborah  
5 and Treita (phonetically) from the Office of Water and  
6 Grants. And I'm sorry I don't have their last names in  
7 front of me. It's somewhere here.

8 And then I have gone on the record in both the --  
9 copied the whole water distribution -- there is a whole list  
10 of lawyers, many of them are on the call, in the Office of  
11 Grants and Debarment that received all of this information  
12 as we have been sending out the emails.

13 THE COURT: And your attorneys?

14 MR. HENIFIN: And my attorneys, of course.

15 THE COURT: Have they been in contact with some of the  
16 attorneys from EPA?

17 MR. HENIFIN: Yes. And from Department of Justice.

18 THE COURT: And have they discussed these issues that  
19 now we're discussing?

20 MR. HENIFIN: Looking at Mr. Calamita to see him nod  
21 his head yes or no, or --

22 MR. CALAMITA: Your Honor, if I may, we have had some  
23 conversation, but I got no advanced notice of the EPA  
24 decision to put Mr. Henifin on a reimbursement basis. First  
25 I learned of it was Friday, at the same time Mr. Henifin was

1 notified.

2 THE COURT: You did not know about it beforehand?

3 MR. CALAMITA: I did not, Your Honor. And I -- when we  
4 left the status conference on February 27th, I thought the  
5 understanding was that we would have conversation with --  
6 with the agencies about that decision before they made that  
7 decision, and those conversations did not occur.

8 THE COURT: All right, Mr. Calamita. Thank you.

9 Is there anything else I need to go over right now?

10 MR. HENIFIN: I don't think so, Your Honor.

11 THE COURT: Okay. Thank you, Mr. Henifin.

12 Well, then, I should turn to EPA now. Who is going to  
13 speak for EPA? But before you start speaking, good morning  
14 to you, again.

15 Now, but before you start, could you educate me on your  
16 hierarchy at EPA as it addresses or concerns the crisis we  
17 have here in Jackson? Who the decision-makers are, and what  
18 process you go through, and what authority, if any, you have  
19 to bind EPA when you are here?

20 MR. FINGERHOOD: Well, I'll address the -- that last  
21 question first, Your Honor.

22 THE COURT: Okay.

23 MR. FINGERHOOD: Good morning, Karl Fingerhood.

24 THE COURT: Yes.

25 MR. FINGERHOOD: I represent the Department of Justice

1 in the enforcement action that was brought with respect to  
2 the Safe Drinking Water Act and the Clean Water Act. I do  
3 not represent EPA with respect to the grants issue. That is  
4 an administrative process. That process has begun, and as  
5 the ITPM stated, he has begun the process to appeal that.  
6 That is not before this Court and will not be ripe until  
7 there is a final agency decision once those appeal rights  
8 have been exhausted.

9 Just quick side note, I think the 180-day is an outside  
10 time limit. I do understand and, again, I'm not an expert  
11 in the grant area of law, but I have been advised that once  
12 the appeal has been issued, there's a 15-day period where  
13 the decision officer is supposed to acknowledge receipt and  
14 then advise if there is additional information, et cetera,  
15 that will be necessary for the administrative process.

16 So I do not represent the Office of Grants and  
17 Debarment. As you know, there was hundreds of millions of  
18 dollars that was appropriated for Jackson. Those are  
19 federal taxpayer funds and are subject to the laws that --  
20 and regulations that apply to federal grants.

21 The Office of -- EPA's Office of Grants and Debarment  
22 is the office that's in charge of ensuring that those  
23 regulations are complied with. They have reviewed this, and  
24 we did share the correspondence with Your Honor, and there  
25 has been -- as the ITPM indicated, he did respond, and there

1 is -- the administrative process is beginning now.

2       There is a law as part of that grant process that when  
3 someone is placed on a reimbursement basis, the -- the  
4 invoices, the properly submitted invoices, are to be paid  
5 within 30 days, which, I believe, is consistent with the  
6 contracts the ITPM indicated he has with his vendors. I  
7 believe that in the instances where concern payments have  
8 been processed on, kind of, a reimbursement basis, it is  
9 usually taken place around a two week timeframe, which while  
10 not as fast as the ITPM was previously paying the vendors,  
11 it's within the timeframe that is in the contracts with the  
12 vendors and within the 30-day reimbursement timeframe.

13       So there is a process as part of the EPA decision where  
14 Mr. Henifin -- I'm sorry, the ITPM in JXN Water, can take  
15 certain steps to have the advance payment model reinstated,  
16 and he has raised those in his appeal that was filed this  
17 morning. And, again, I can't speak for the administrator  
18 process, but I would assume that since they are now being  
19 submitted, they will be reviewed and decided, and there will  
20 be some follow-up conversations.

21       I can say this, that the Office of Grants and Debarment  
22 has received the communications regarding the grants issues,  
23 both the 3/13 one and this morning, and have advised the  
24 appropriate staff in that office that they are reviewing it  
25 expeditiously, the Office of Grants and Debarment will be in

1 touch with the ITPM and JXN Water in short order regarding  
2 the administrative action.

3 One other point I want to address quickly is, I think  
4 there were assertions that somehow under reimbursement  
5 model, the entire invoices may not be paid, I don't believe  
6 and, again, I'm speaking outside of my area of expertise,  
7 but I don't believe that to be the case. I think if there  
8 were specific items and invoice that were -- there may need  
9 additional support or something, that would be pointed out,  
10 and perhaps, that might be the type of thing. But I don't  
11 think they would just not be paid, and as I said, the stat--  
12 -- the regulations itself provide that reimbursement  
13 invoices, when appropriately submitted, are to be paid  
14 within 30 days.

15 THE COURT: You've been here since I have been involved  
16 in seeking solutions to this emergency matter.

17 What is your prediction as to how a six-month delay on  
18 the reimbursement system would impact on the efforts that  
19 this Court and Mr. Henifin have been trying to accomplish?

20 MR. FINGERHOOD: Well, first, Your Honor, I don't think  
21 it would be -- at most, it would be a six-month delay. That  
22 also doesn't consider the indication from the Office of  
23 Grants and Debarment that there are certain -- and it is in,  
24 I think, Section 3 of the notification that they sent out  
25 this past Friday there are steps that JXN Water and the ITPM



1 can take to get the advanced payment model reinstated. One  
2 of those was to get a grants manager or someone to assist  
3 Mr. Henifin to kind of do the -- make these procedural  
4 changes, et cetera, that the Office of Grants and Debarment  
5 have been requesting.

6 And also, you know, the third-party manager has a lot  
7 of on his plate in addition to all of the engineering, et  
8 cetera. It would be, I think, helpful in my own personal  
9 opinion and apparently in the opinion of the Office of  
10 Grants and Debarment, helpful to have somebody that they can  
11 contact with any type of accounting questions and things  
12 like that, for example -- for dealing with processing of the  
13 grant funding.

14 THE COURT: So who do you recommend?

15 MR. FINGERHOOD: Who would I recommend?

16 THE COURT: Yes. Give me a name.

17 MR. FINGERHOOD: Oh, well, the third-party manager  
18 indicated that he plans on retaining someone from HORNE  
19 accounting, which is a regional. I think they are a Top 25  
20 nationwide accounting company, and I think they have several  
21 offices in Mississippi, including one in the Jackson area.  
22 I don't know, specifically, who the third-party manager has  
23 identified at that office, but, you know, I think they have  
24 been working on things related to Jackson and the water  
25 issues for some time. Is that correct? Yes.

1 THE COURT: So then who would you recommend? You got a  
2 person's name?

3 MR. FINGERHOOD: Oh, I have had -- I personally have  
4 had no dealing with HORNE, but it is my understanding they  
5 are a well-represented accounting firm, and would have, you  
6 know, CPAs and people of those types of qualifications that  
7 would be available to work. I don't know who the  
8 third-party manager at JXN Water has been working with at  
9 that office. I don't know if it's a person they're  
10 currently working with, or if they have someone else in that  
11 office in mind, but...

12 THE COURT: And who -- and have you ever worked with  
13 this company you're now possibly suggesting?

14 MR. FINGERHOOD: Oh, well, first --

15 THE COURT: Or even the procedure?

16 MR. FINGERHOOD: First let me qualify that I -- this  
17 was from Mr. Henifin -- or, I'm sorry, the third-party  
18 manager's communication to EPA. He recommended this company  
19 that he was going to find someone there. So I have no  
20 involvement in this recommendation. I just do know of the  
21 company, because I think they are somewhat well-known  
22 locally, and may have also been involved in some other  
23 earlier matters involving either the sewer or water system.

24 THE COURT: Have you ever seen this procedure applied?

25 MR. FINGERHOOD: Actually, I do think it's fairly

1 common. Again, this is not my area of expertise, but I do  
2 think that when you have a large federal grant, that the  
3 grantee does frequently retain someone.

4 And there are -- just from a Google search, there are a  
5 number of entities that specialize in grants management, and  
6 so there is -- you know, I think the practice is somewhat  
7 established that there is an industry of people who are  
8 experienced in, you know, the requirements of federal grants  
9 and what is needed, and, you know, the procedural  
10 requirements, the best practices, et cetera, to be  
11 implemented, and so there is -- there are a number of  
12 entities and individuals that provide those services  
13 nationwide.

14 THE COURT: Is EPA taking this case seriously?

15 MR. FINGERHOOD: Yes.

16 THE COURT: Well, let me tell you why I ask that  
17 question: You filed this -- this matter in a certain year.  
18 Do you recall what year you all filed this case?

19 MR. FINGERHOOD: We filed the Drinking Water Case in  
20 November of 2022.

21 THE COURT: And you also filed the sewage case,  
22 correct? When did you file it?

23 MR. FINGERHOOD: That was originally filed in 2013, and  
24 then, as the Court's aware, we negotiated an interim order  
25 on that part of the case. I think that was entered

1 September 30th of 2023, right before the new fiscal year, I  
2 believe.

3 THE COURT: But then 13 years went by, and EPA did  
4 nothing. Is that so?

5 MR. FINGERHOOD: Well, I wouldn't characterize it as  
6 that. We were in constant dialogue with the city about  
7 issues that had not been addressed under the consent decree.  
8 I think there -- also MDEQ is involved in those discussions.  
9 There were administrative orders issued, and --

10 THE COURT: It's not on a docket sheet.

11 MR. FINGERHOOD: No. These were -- these were done,  
12 again, administratively, so they wouldn't be on the docket  
13 sheet, but there was communication. The city, again, had  
14 indicated that their precarious financial condition  
15 prevented them from being able to afford some of the things  
16 that EPA had requested. So there was an ongoing dialogue  
17 during that time period.

18 THE COURT: Well, then, who dropped the ball during  
19 those 13 years?

20 MR. FINGERHOOD: I guess --

21 THE COURT: I'm just -- I'm just responding based on  
22 what the docket sheet shows. The docket sheet is silent.  
23 So it doesn't show that anything. All it shows is that the  
24 case was filed, and then later on, it shows that I took over  
25 after I went and requested the case, because I saw that

1 nothing had been done. But in the interim, there was  
2 nothing.

3 So did somebody drop the ball during that time period?

4 MR. FINGERHOOD: Well, as I said, there were ongoing  
5 discussions. You know, I think part of those discussions  
6 were if the United States and MDEQ were to bring a renewed  
7 enforcement action with spending additional limited city  
8 funding on litigation and related expenses be in the best  
9 interest of the United States and the citizens of Jackson,  
10 or would it be better to continue it -- dialogue about  
11 trying to get the work done.

12 Unfortunately, you know, those discussions were not as  
13 fruitful as were hoped, and I think -- you know, I don't  
14 know if I could blame -- lay the blame at one person's feet.  
15 I mean, I certainly was part of that, and I was involved in  
16 it.

17 THE COURT: Well, I was moved to ask the question,  
18 because when I picked up the file and saw that nothing had  
19 been done in 13 years, and then when I recognize that the  
20 water case and the sewage case had some relationship to each  
21 other, and I asked if I could be assigned the sewage case  
22 along with the water case, because I already had the water  
23 case. And then after I managed to get the sewage case  
24 assigned to me too, because of the interaction between the  
25 two, and I thought that that would move these whole matters

1 more rapidly.

2 Then I remember some difficulty we had with trying to  
3 merge the consent orders, and even when we were trying to  
4 merge the consent orders, I remember the difficulty that  
5 surfaced, was EPA had some objections that, at first, I  
6 didn't quite understand. And EPA then submitted its  
7 objections to the merger of the two, and after a process, we  
8 finally worked out all of that to get it merged, and then  
9 the next time, there was a problem from EPA on how the  
10 moneys were going to be paid.

11 So we did this hearing not that long ago, and frankly,  
12 I'm on the side of Mr. Henifin who says that he left here  
13 with a certain understanding. I -- I guess I made the same  
14 mistake, because I left here with the same mistake, too. I  
15 thought that we had agreed that some moneys were going to be  
16 provided that he could pull down and get the vendors paid,  
17 because we were afraid that if the vendors were not timely  
18 paid, that they might withdraw their interest in working on  
19 these various projects. And so I thought that was a matter  
20 that was already discussed and decided, and so then I now  
21 find out that EPA has endorsed another approach.

22 And, Counsel, do you recall any discussion that before  
23 you adopted another approach that you would inform the Court  
24 of the possibility of another approach? Because I don't  
25 recall any notification on your conversion from one system

1 to another.

2 So do you agree with that, or is it something that I  
3 missed and Mr. Henifin missed and his lawyers missed? Is  
4 there something there that we just were confused about?

5 MR. FINGERHOOD: Well, Your Honor, we did provide the  
6 -- the March 8th report to the Court, to chambers, which  
7 provided -- that was the initial basis of the notice letter.  
8 That was issued on the 15th. We provided that to the Court,  
9 and then when the notice letter was issued on the 15th, we  
10 provided that to the Court as well.

11 THE COURT: That you were going to a reimbursement  
12 procedure?

13 MR. FINGERHOOD: Right.

14 THE COURT: So is that where you are now, that you have  
15 now decided -- and I'm saying "you," that's EPA. So now EPA  
16 now is on a reimbursement system now?

17 MR. FINGERHOOD: That EPA Office of Grants and  
18 Development has made that decision. I don't represent them.  
19 That's an administrative decision that's been issued. I  
20 have no authority to tell them what to do or not to do.  
21 That was an administrative decision, and that's not before  
22 the Court either at this time.

23 THE COURT: Well, can you tell me the hierarchy -- the  
24 hierarchy at EPA relative to decision-making on these  
25 matters that concern JXN Water?

1 Can you tell me then the hierarchy, so we know who is  
2 making the decisions about moneys and the other matters that  
3 are so vital to the continuation of our efforts to solve our  
4 problems down here without some third person making the  
5 decision, whom we haven't even seen?

6 | So can you tell me then, the hierarchy, place.

7 MR. FINGERHOOD: Yes, Your Honor. It's my  
8 understanding that, for example, on the Clean Water Act side  
9 and Safe Drinking Water Act side, it's EPA's Region 4 in  
10 conjunction with EPA headquarter's Office of Water.

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11      With respect to --
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12 THE COURT: Okay. Now, let me get these down, so I  
13 know who I'm talking about.

14 Okay. So you are saying that it's Region 4?

15 MR. FINGERHOOD: EPA Region 4.

16 THE COURT: Now, who is that?

17 MR. FINGERHOOD: That would be some of the folks on the  
18 call, Suzanne Rubini and Suzanne Armor and Michael Creswell.  
19 And they also have a team of engineers they work with. Jim  
20 Vinch is the headquarters attorney with the Office of Water,  
21 and, again, those are the individuals with the Safe Drinking  
22 Water Act and the Clean Water Act issues. There is also  
23 Michelle Wetherington who have -- on the Clean Water Act  
24 side of things --

25 (Court reporter interruption.)



1 I'm sorry. Michelle Wetherington is also involved in  
2 the Clean Water Act. She is an attorney at EPA Region 4.

3 Now, with respect to the grant funding, there is a part  
4 of the Office of Water that I think the third-party manager  
5 referred to, and they deal with the initial phase of, you  
6 know, invoices and working the system, but ultimately, it's  
7 my understanding that EPA's Office of Grants and Debarment  
8 has final say over that process, along with EPA's Office of  
9 General Counsel. And those -- both of those offices are  
10 located, I believe, at EPA headquarters in D.C.

11 THE COURT: How many people are we talking about?

12 MR. FINGERHOOD: Well, with respect to -- I would say  
13 there is probably at least a half dozen people I have seen  
14 on emails. But as far as, you know, the specific issues and  
15 the appeals, there were people named in the correspondence  
16 between the Office of Grants and Debarment and the  
17 third-party manager.

18 And so those -- I think those -- at least those two  
19 people, one was the officer who will be I think -- I forget  
20 what the formal title is, but I think he is the final  
21 decision-maker of the office of dispute. His name is  
22 escaping me.

23 And then also there's -- I believe there was Keva  
24 Lloyd, who is someone who was offered as a person that JXN  
25 Water could contact with questions about, you know, the

1 process, and how it -- it would work.

2 THE COURT: This change that was made in the protocol  
3 on paying the vendors, was that a committee decision, or a  
4 one-person decision?

5 MR. FINGERHOOD: I think it was made by the Office of  
6 Grants and Debarment by several people.

7 THE COURT: It sounds like a committee. So then is  
8 that a committee decision, basically -- well, because here  
9 is why I'm asking the question on this: And I don't think I  
10 got an answer to the question I asked a few moments ago. I  
11 asked whether we were misinformed or misheard last time we  
12 were together, that EPA was going to follow the same  
13 reimbursement system.

14 Now, did we just make that up or get confused?

15 MR. FINGERHOOD: Well, there was the 10 million  
16 reimbursement that was processed. I think, perhaps, while  
17 we were in court last time, or shortly after that. It's my  
18 understanding that after that was issued, the Office of  
19 Grants and Debarment, along with the EPA's Office of General  
20 Counsel, made the decision reflected in both -- the  
21 decisions reflected in both the March 8th report and the  
22 March 15th notice.

23 THE COURT: So how much time went by from the time you  
24 were in court last time, and we talked about these matters,  
25 and some of us here apparently got the wrong impression of

1       what you actually said, how much time went by before you  
2       sought to clarify and it say, no, we are going to employ  
3       another system?

4               MR. FINGERHOOD: I think it was approximately two  
5       weeks.

6               THE COURT: Two weeks? And during that two-week  
7       period, were you submitted or did you have any additional  
8       documents before you to change your mind?

9               MR. FINGERHOOD: It was not up to me. And, as I  
10      indicated at the last status conference, you know, I think  
11      Your Honor referred to my vast pool of knowledge on this  
12      issue --

13              THE COURT: I did.

14              MR. FINGERHOOD: -- and I think I referred back  
15      somewhat jokingly, but also somewhat seriously, that I was  
16      more like a kiddie pool of knowledge. So I do think part of  
17      it was misunderstanding on my part, as far as this being an  
18      entirely administrative process for which is totally  
19      separate and apart from the Department of Justice, and even  
20      EPA Region 4 and headquarters who have been working on the  
21      Safe Drinking Water Act and Clean Water Act side.

22              THE COURT: Okay. So then just to complete that line  
23      of thought, when we had that conversation about leaving  
24      things in place, what you are telling me is that you didn't  
25      know that your superiors were going to change it?

1 MR. FINGERHOOD: Well, as I said, they're not my  
2 superiors. It's a totally different part.

3 THE COURT: Well, you didn't know that there was going  
4 to be an alteration by a group of folk who had primary  
5 authority?

6 MR. FINGERHOOD: Right. I was -- I was not fully aware  
7 of the separateness of the process, and I understand the  
8 meaning for -- or the -- I guess the appropriateness of it,  
9 being a separate process. But, yeah, I was not fully aware  
10 of the separateness of the process. And I knew -- I think I  
11 referred -- when I was here before that, I knew there was an  
12 administrative process involved, but I did not understand  
13 how it was totally separate from any process that I had been  
14 involved in and that EPA Region 4 had been involved in on  
15 the Clean Water Act and Safe Drinking Water Act side.

16 THE COURT: Are you also saying that that puts you in  
17 an awkward position? And let me say something else on that.

18 What I mean by that is this: After we had that  
19 conversation here last time, you were aware that Mr. Henifin  
20 was going to go forward on hiring contractors, and that if  
21 it took two weeks to tell him that the procedure is  
22 different, then he would know that when he engaged them.

23 And, further, some of them had already been engaged on  
24 other projects. Therefore, they were rightfully under the  
25 assumption that they would be paid timely. And so then when

1 he was told that that is not necessarily the case, then do  
2 you appreciate the difficulty you placed him in? Or are you  
3 saying that he had no difficulty?

4 MR. FINGERHOOD: No. As I understand, as he has  
5 expressed, that, you know, he likes to pay the contractors  
6 on a much quicker timeframe. I think -- and I think I  
7 stated even at the last status conference that, you know --  
8 and that's before I knew there was actually a regulation  
9 that requires a grantee on a reimbursement basis to, you  
10 know, receive the funds within a 30-day period. Although it  
11 would perhaps be longer than what had Mr. -- the third-party  
12 manager had been doing in practice, it was still consistent  
13 with the terms of the contract. In that, again, this is  
14 federal money, not city funds, and so the federal  
15 government, you know, pays its bills on time, and there's  
16 still full faith and credit in the federal government  
17 funding.

18 THE COURT: So then you would understand and not  
19 quibble with the Court's choice, should I decide to resort  
20 to this approach I'm now considering, to write a short  
21 opinion or notice to the public, especially to the vendors,  
22 that this inability to pay within the timeframe we had been  
23 paying is because EPA chose to change its system without  
24 notice to us within a two-week period.

25 Would you understand if I did that how that would be a

1       salvation issue for Mr. Henifin's integrity and confidence  
2       that he didn't do anything wrong here, but EPA simply  
3       changed its mind?

4               MR. FINGERHOOD: Well, I don't know if that -- like I  
5       said before, Your Honor, this is meant to be a temporary  
6       change, and there is a process for him to be reinstated to  
7       the advance payment model. So there is that option, which  
8       he has already availed himself of.

9               I also think that, at some point, there was frustration  
10      on a point of the third-party manager about this dialogue  
11      with the Office of Grants and Debarment. So there was an  
12      indication that they wanted some sort of final decision that  
13      they could take before Your Honor. This is not that  
14      decision. This is an administrative action. There is no  
15      proceeding before this Court, and it would not be ripe until  
16      the administrative appeals process had been exhausted.

17              THE COURT: And you had said there's an expedited  
18      approach that Mr. Henifin can take?

19              MR. FINGERHOOD: Right.

20              THE COURT: What is that expedited process?

21              MR. FINGERHOOD: Well, I said that -- I had read that  
22      quote from the Office of Grants and Debarment that  
23      indicated, and this is just the latter part, they've advised  
24      the appropriate staff of both the March 13th communication  
25      and the appeal notification that was filed this morning.

1 They are reviewing it expeditiously and will be in touch  
2 with the third-party manager in short order regarding the  
3 administrative action.

4 THE COURT: Okay. That's as close as you can get to  
5 naming how long it would take, correct?

6 MR. FINGERHOOD: At this time, yes. And, again,  
7 because these are not -- I don't represent this part of EPA.

8 THE COURT: I know you've said that, and I understand  
9 that.

10 MR. FINGERHOOD: Okay.

11 THE COURT: Right? So there's another part of EPA,  
12 just like that 13-year wait when this lawsuit was filed on  
13 the sewage side, and nothing was done by EPA.

14 MR. FINGERHOOD: Well, actually, that I -- that was not  
15 another part of EPA. That was -- I was part of the initial  
16 group that negotiated the consent decree. So, I mean, I do  
17 take some responsibility for that, although -- although  
18 nothing appeared on the docket, there were ongoing  
19 discussions about how to proceed and how to get the city  
20 back into compliance. Those aren't reflected in the docket,  
21 but I was a part of those, and so I do take some of the  
22 blame for that.

23 THE COURT: Well, if there were some things that were  
24 done and some documents that were generated, then I would  
25 like to see those documents, because I have looked at the

1 docket sheet and there is nothing there for 13 years. But  
2 if there was something that was done, then I would like to  
3 see it to give you adequate credit for what was done during  
4 that 13 years, because right now, it looks to me like  
5 nothing done. There's --

6 I mean, the docket sheet was just amazing. I mean, I  
7 just see where the case was filed. Then I see where a  
8 consent order was put in, and then 13 years went by, and  
9 meanwhile the citizens of Jackson suffered that here it is  
10 you have a lawsuit filed by EPA, and EPA could say that,  
11 look, we have filed a lawsuit, so we're trying to move this  
12 thing along, but the citizens of Jackson were suffering  
13 during those 13 years.

14 And in addition, the citizens of Jackson didn't know to  
15 go and look at a docket sheet and see that there was  
16 absolutely nothing done. I mean, that's -- it's just a  
17 matter showing that there was a filing, and then after that,  
18 a consent order, and after that, nothing, and -- just  
19 nothing. And I was amazed over that, and because I was so  
20 amazed over that, and working so hard at that time on the  
21 water matter and recognizing that the water case and the  
22 sewage case had some family relationship between the two,  
23 then I went and asked for the sewage case.

24 It was not assigned to me. I went and asked for it,  
25 because I felt like the two need to be worked together. And



1 the consent decree needed to be worked together. And so  
2 then we all tried to marry these consent decrees and finally  
3 got those together, and that took a while. And then after  
4 that, this matter of money, you know, surfaced, trying to  
5 get that decided, but the people of the City of Jackson have  
6 just suffered this entire time.

7 And that's why I started off with the question on  
8 whether EPA was really serious about this lawsuit, you know,  
9 because it just seems to be some interruptions here and  
10 there, and -- but, you know, but I can't say that the  
11 interruptions are not fitting and appropriate from your  
12 standpoint and from the regulations that you are calling,  
13 but I would appreciate knowing all the regulations that you  
14 say that you have to operate under and the ways that we can  
15 move this matter quickly ahead so that I can give you credit  
16 for what you're doing, because I would hate to determine  
17 that you all are not serious about this matter, because this  
18 is a grave matter for 160,000 folk, at a minimum, and there  
19 they are out there just suffering, you know, on all of this  
20 stuff here. And -- and not to mention that some of us have  
21 had to learn a whole lot more than we ever cared to learn  
22 about water and sewage, you know.

23 So -- you know, so I have spent weekends trying to read  
24 up on these things and trying to be sure that we can push  
25 this as fast as possible. So then I would like to be

1 informed about what was done during this 13 years. If there  
2 is something in there that says that EPA during those  
3 13 years was actually moving towards a resolution. But I  
4 certainly didn't see it, and once I picked this case up, it  
5 certainly was not apparent that anything has been done, like  
6 I said before.

7 So if there are some regulations that haunt us at  
8 present, and I need to know about these regulations, then I  
9 would like very much that you submit them to me, you know,  
10 because it seems like we came into this case about the same  
11 time. That's what I was thinking. But apparently, that's  
12 not correct, because you actually came to the case when you  
13 filed it.

14 MR. FINGERHOOD: Yes, sir.

15 THE COURT: But that's right. But then when you filed  
16 it, when you filed this lawsuit, that is the sewage lawsuit,  
17 were you -- well, I guess I don't need to ask that question.  
18 I was going to ask you whether you looked down here in  
19 Jackson and say I need to file that lawsuit, so I'm going to  
20 go down there and file it. But actually you probably were  
21 assigned it, you know, but I don't know.

22 But, nevertheless, you seem to have been working  
23 diligently on this matter, and so then I would not like to  
24 draw a negative conclusion about this matter without knowing  
25 all the players and all of the pieces of litigation.

1           So then if you would be so kind to tell me what  
2       administrative orders were put in during that 13-year  
3       period, because I don't have any of that on my desk. You're  
4       saying there were some.

5           MR. FINGERHOOD: Actually, Your Honor, I do remember  
6       now with some prompting from one of my colleagues. As I  
7       mentioned, we were considering how to --

8           THE COURT: You were considering?

9           MR. FINGERHOOD: I thought I heard someone.

10          THE COURT: You did. But go ahead.

11          MR. FINGERHOOD: We were --

12          THE COURT: They're not ghosts. You did hear  
13       something.

14          Terri, what's the story?

15          THE COURTROOM DEPUTY: Someone on Zoom is not muted.

16          THE COURT: Oh, okay. Somebody on Zoom was not muted.  
17       And can everybody mute on Zoom?

18          Okay. Go ahead.

19          MR. FINGERHOOD: So we were considering how to best  
20       move the case forward. So we did a few years, I think,  
21       before the --

22          THE COURT: I'm sorry. Say what now?

23          THE COURTROOM DEPUTY: It's Ms. Rubini. Suzanne Rubini  
24       needs to mute.

25          THE COURT: Okay. Tell her.

1 THE COURTROOM DEPUTY: Ms. Rubini, we need you to mute  
2 your microphone, please. Thank you.

3 THE COURT: Okay. Now, go ahead.

4 MR. FINGERHOOD: So I think a few years before the  
5 drinking water system issue arose, or the emergency arose,  
6 the water issues had also been, you know, under the watch of  
7 EPA and MSDH. We started filing joint status reports in the  
8 Clean Water Act case. We were trying to get the -- a  
9 consent decree. We were discussing a modification of the  
10 consent decree, and so we did file reports on a regular  
11 basis with the Court about those and providing some  
12 background as far as what was going on.

13 In the interim, you know, the first one obviously had  
14 some -- a lot more detail, but then in the subsequent  
15 reports, we were updating the Court. And, again, this was  
16 not before Your Honor, but a different judge, on what had  
17 occurred since the time of the last status report. So there  
18 is -- some of that should be in the docket.

19 THE COURT: Okay. It's not on the docket. But I can  
20 look through the files and see if I could find that, and if  
21 I can't, I will notify you. But I would like to be up to  
22 snuff on everything that happened during that time period.  
23 It would probably be very informative for me, so then I'll  
24 have an idea what was happening.

25 So let's now address the present. On the crisis that

1 we are having right now on this money, do you get involved  
2 in this process at this point at all?

3 MR. FINGERHOOD: The grants process and also the  
4 disbursing of the funds pursuant to the grant, no, I have no  
5 involvement. I think, as I indicated, there are a couple of  
6 people at the Office of Water who I think will still be  
7 involved in this on a reimbursement basis, but the  
8 administrative appeal and issues related to the  
9 correspondence on March 8th and March 15 are all within the  
10 Office of Grants and Debarment and EPA Office of General  
11 Counsel.

12 THE COURT: Oh, okay. A few moments ago I said that to  
13 be sure that the vendors out here don't look with  
14 displeasure upon Mr. Henifin because he was acting on what  
15 he thought to be the situation of hiring contractors and  
16 allow them to go to work and recognizing that they would  
17 expect to be paid within a week, and he thought he had the  
18 capability of doing that because the money is there, so then  
19 should I write a short note as just an explanation? Would  
20 that be something that would trouble EPA?

21 MR. FINGERHOOD: Well, I think there may be information  
22 in the March 15th letter that describes the process for JXN  
23 Water being placed back on the -- the advanced payment  
24 model. I think, you know, that's in that letter already,  
25 and also there's the provision that indicates that vendors

1 are to be paid within 30 days when a grantee is on the  
2 reimbursement model.

3 THE COURT: Well, should I decide to do that, this  
4 notice will be neutral and benign, just to say here are the  
5 facts, and contractors and the public should understand that  
6 Mr. Henifin is working diligently in the manner in which he  
7 said he would, hiring contractors in the manner in which he  
8 said he would, expecting them to perform their projects with  
9 a high degree of competence, as he said he would, and we ran  
10 into a situation here where EPA has changed its mode of  
11 reimbursement and may have to -- and Mr. Henifin may have to  
12 go through an appellate process, which might take some time,  
13 but which was not expected because of the conversation that  
14 was had earlier, and without casting any other aspersions,  
15 let it go with that, just so the public understands where we  
16 are.

17 You know, I have, what, two, three? I think I've done  
18 about three clarification letters. I just did one last week  
19 on this new act that the Mississippi Legislature is  
20 contemplating, and I'm going to make sure that the public  
21 understood the parameters of that and understood that one  
22 could read it as thinking that something else had gone into  
23 effect when actually it has not, and so then I just did a  
24 short note to the public to let them know that. So I might  
25 do the same thing here just to make sure that we are all on

1 the same page.

2 Now, is there anything else you want to tell me about  
3 this? Because you've been gracious enough to answer my  
4 questions here. You want to talk to your brain trust over  
5 there?

6 MR. FINGERHOOD: Yeah, I do want to mention one thing  
7 first. With all due respect, I would be a little hesitant  
8 about the approach Your Honor is suggesting to the extent it  
9 could be construed as some kind of court order, because, as  
10 I said, this is -- and then this matter is not before the  
11 Court, and so I do have that concern.

12 You know, Mr. Henifin -- I'm sorry, the third-party  
13 manager, and JXN Water, they could issue a press release  
14 that they're entitled to do that. And, you know, if EPA  
15 feels it's necessary to issue their own press release, they  
16 could do that. But I would be concerned with something  
17 coming from the Court to the extent it could be construed as  
18 some sort of court order or finding of something that we  
19 contend is not before the Court.

20 THE COURT: Well, to one extent it is. I mean, because  
21 Mr. Henifin said at one point that if he can't pay his  
22 contractors, that he might suspend operations. Now, as the  
23 third-party manager, that would be his call on that. He  
24 will have to report to me about that, but, nevertheless, if  
25 he can't pay his vendors, then I certainly understand that.

1           And I also understand, at this juncture, that he might  
2           not be able to pay them, not for any defect or default on  
3           his part, but because of the unfortunate change by EPA on  
4           this matter, which happened when he was in the process of  
5           hiring contractors. And they had a right to rely upon past  
6           conduct, and so they did, I'm sure.

7           So I'm not so sure you're right on that, that that's  
8           not a fight that, you know, I'm not in at this point,  
9           because I want this thing to be done as fast as possible, as  
10          competently as possible, by the contractors who are deemed  
11          to be the best that we can get without creating any ire  
12          amongst them where they aren't interested in further  
13          contracts with the JXN Water, and that was certainly --  
14          that's a certain possibility if these people go out and they  
15          spend time with their workers and then find out they can't  
16          be paid. That was one of the big complaints that when I  
17          came in on the water case, contractors said they had against  
18          the city, and that was one of the -- one of the notions or  
19          factors that I wanted to be sure that was not present at the  
20          present time, whether the city was guilty or not.

21          I'm not saying that the city was guilty. I'm just  
22          saying that that's something that the contractors said, and  
23          they said that in open court here, that they couldn't get  
24          paid. Now, I told them -- I believe I said at the time that  
25          I'm not getting into that. We're going forward so that we



1 are going forward. But if this matter here surfaces and  
2 these people can't be paid, then I can't say that's not a  
3 matter that doesn't concern the Court and the Court's order,  
4 because the overall scheme that concerns this Court is to  
5 try and get these things done, is to try and get the water  
6 repaired, sewage repaired, and try to get these things done.

7 And here it is all this effort that has gone into  
8 identifying the various defects, the various problems that  
9 need to be addressed, the -- the eruptions on the water  
10 side, the eruptions on the sewage side, the standing of raw  
11 sewage all over the city, the fissures in various pipes and  
12 the loss of water that has already -- had already been  
13 processed, those are things that are right on my plate.

14 And so if I can't get those things repaired, then it  
15 does concern me. And if I can't find appropriate  
16 contractors out here because they said they don't want to  
17 work on these things anymore because they can't get paid,  
18 well, that certainly concerns us.

19 But I'll see what position I take on this. But,  
20 nevertheless, I know what my end game is, and I'm trying to  
21 make sure we get there as fast as possible.

22 Now, is there anything else you want to say to me? If  
23 so, I'll hear it. I'd ask you if you've consulted with  
24 Ms. Brain Trust over there.

25 MS. PAIGE: Thank you, Your Honor.

1 THE COURT: Okay. You like that name?

2 MS. PAIGE: I'll take it.

3 MR. FINGERHOOD: So I have a few points I would like to  
4 clarify.

5 THE COURT: Okay. Go right ahead.

6 MR. FINGERHOOD: First of all, you know, the  
7 reimbursement process has been in place since Friday. I  
8 think it's somewhat speculative to suggest that people are  
9 not going to get paid. As I said, the statute requires  
10 payment within 30 days.

11 None of the changes that have been proposed, and, as I  
12 noted, these are intended to be temporary, prevent JXN Water  
13 or the third-party manager from using the funds for eligible  
14 expenses related to the drinking water system. EPA is  
15 committed to the success of the system and stands ready to  
16 provide grant funding on receipt of the approval invoices  
17 and is committed to working with JXN Water and the ITPM to  
18 provide technical assistance and improve JXN Water grant  
19 management capabilities.

20 On the Drinking Water side, I believe there were a  
21 couple of administrative orders issued by EPA and MSDH  
22 before the -- both the freeze issues that happened the year  
23 before and then the collapse in August of 2020 -- I'm sorry,  
24 2022 -- actually, one was in 2020, and then in 2021, to try  
25 and get the city into compliance with the Safe Drinking

1 Water Act.

2 On the -- on the Clean Water Act, as I noted before, we  
3 were in discussions and did file status reports, and we  
4 worked with the city, their outside attorneys, their outside  
5 consultants, EPA engineers, and had meetings in person,  
6 virtual meetings, we had monthly calls trying to figure out  
7 what we could do to get the consent decree back on track.

8 We started discussing modification to the consent  
9 decree, and unfortunately, when things kind of erupted on  
10 the Drinking Water Act side, you know, the primary attention  
11 was focused on that. But there were discussions that were  
12 going on between all of the parties involved trying to get  
13 the city back into compliance.

14 The fact that, you know, there was some time gap, I  
15 think we -- you know, we -- we would say that that is  
16 unfortunate, but there were -- even during those time  
17 periods, there was communication between the city and the  
18 EPA on a technical level between the engineers indicating  
19 what was going on and what could be done to fix it. And in  
20 the interim, the city did bring in an outside contractor to  
21 start operating the sewage treatment plants, and that was a  
22 step in the right direction. They were making some progress  
23 on some of the projects under the consent decree, but they  
24 were falling behind the timetable that was established under  
25 the consent decree.

1 THE COURT: All right. Thank you very much.

2 MR. HENIFIN: Your Honor?

3 THE COURT: Yes, Mr. Henifin, go right ahead.

4 MR. HENIFIN: So, you know, we're all here today.

5 We're here in Jackson because four parties came together and  
6 negotiated an interim stipulated order, started with the  
7 Drinking Water. In paragraph -- subparagraph 6-T of that  
8 agreement the U.S. EPA signed onto, it said,  
9 "Notwithstanding subparagraph 6-M, comply with the terms,  
10 conditions, and assurances of any current --

11 THE COURT: Not too fast. Go ahead. Notwithstanding?

12 MR. HENIFIN: "Notwithstanding subparagraph 6-M, comply  
13 with the terms, conditions, and assurances of any current or  
14 future grant or loan that funds the system, or, if  
15 compliance is not practicable, comply to the extent  
16 practicable."

17 So I would argue that they agreed to that, the four  
18 corners of this document, and this grant, we're complying to  
19 the extent practicable, and they're changing the rules on us  
20 as we move along. I also point out that Mr. Fingerhood  
21 mentioned the March 8th letter as having noticed that the  
22 reimbursement process was going to start. It did not. It  
23 just purely provided the report of the findings from the  
24 compliance assistance visit. We knew nothing about the  
25 reimbursement process until the 15th, when the letter showed

1 up in my mailbox, e-mail box, and yours as well that day.

2 And finally, and this is a challenging project overall,  
3 and this just adds extra burden. And, sure, we're going to  
4 hire another grant assistance person through HORNE and waste  
5 some more federal dollars, because we've yet to misspend,  
6 misappropriate, or been pointed to for misusing any federal  
7 dollars. We haven't. We can prove every dollar we've used.

8 The system was working fine. We're not meeting the  
9 exact letter of the grant law potentially, but, again, I  
10 think that the deal we negotiated -- and we didn't, I'm not  
11 party; they named me a third-party manager at that point.  
12 They're just piling on additional burdens.

13 So this may not sound like much, but now I'm reviewing  
14 an invoice, I forward it to EPA, EPA asks additional  
15 questions, I research that, get that back to them, and then  
16 I have to pester them week after week asking: When am I  
17 going to see money to pay my contractors? That's all in the  
18 normal course of business that we're -- you know, our hair  
19 is on fire. We are working very, very hard, and it doesn't  
20 seem like the four parties, especially the EPA part of this  
21 party, is helping.

22 But that's where I am at the moment, Your Honor.

23 THE COURT: All right. Thank you very much.

24 MR. FINGERHOOD: Can I just state something? As I  
25 noted in the outset, and it might have gotten lost, you

1 know, the --

2 THE COURT: Speak up. Thank you.

3 MR. FINGERHOOD: There's a lot of federal money  
4 involved here. There's a lot of people paying attention to  
5 how it's being used, a lot of good is being done with that  
6 money. And so that's why, you know, the -- I think, you  
7 know, as the third-party manager might view this as kind of  
8 a paperwork headache, but I also think it's important for  
9 the public to have transparency and know that the funds are  
10 being spent appropriately. And there are kind of processes  
11 to ensure that, you know, that is the case, and that's why I  
12 believe the Office of Grants and Debarment got involved.

13 One quick thing. I think what I said is that the March  
14 8th technical assistance report served as the basis for the  
15 notice letter, not that it was mentioned in there, but I  
16 think that was the -- at least my understanding of reading  
17 those documents, is that's what they based the change on.

18 Again, it's meant to be temporary change, but, again,  
19 because of the amount of federal funds involved, that is why  
20 I understand they believe this is necessary. And, you know,  
21 as Mr. Henifin just indicated, this is -- that's why you  
22 need to have a grants manager or someone of that type to  
23 help assist, because he has a lot of other stuff going on  
24 and it would be, we think, helpful to have someone assist  
25 and work with the grants people to ensure that things move

1 smoothly on a going-forward basis.

2 THE COURT: One second. I really don't understand  
3 those comments, because things were going along quite  
4 smoothly before. And then we apparently had some  
5 bureaucrats in D.C. who decided to do something else without  
6 any real explanation of why they were doing it.

7 So I really don't understand those comments. We have  
8 made a lot of progress here. We're just trying to keep the  
9 progress going, and we can't keep it going if we can't pay  
10 the vendors. It would seem to me that EPA in D.C. would  
11 have known this and wouldn't have waited two weeks to tell  
12 Mr. Henifin that the rules of the game had changed, and so I  
13 don't see where hiring some other person to assist on this  
14 matter is something that he needed.

15 The process was going along fine. The people were  
16 being paid. We were moving and getting things done. The  
17 wrinkle in this whole matter came when EPA changed the  
18 rules. So I don't quite understand why he needs to hire  
19 somebody else. He was doing fine before that. The process  
20 was not complicated. He was searching out people of  
21 competence, checking out their credentials, their past  
22 history, working with the city and other people and other  
23 entities, hiring them and getting the job done.

24 We have made so much progress under that system, and  
25 then the way I look at it, EPA then decided that it wanted

1 to change the rules without any real explanation. That's  
2 why I asked the question earlier whether EPA took this as a  
3 serious matter, because one could look at the history of  
4 this thing and say EPA has not done that and that it has  
5 been obstructionist. And so I hate to say that. And so I'm  
6 going to be looking to see what needs to be done here and  
7 whether the Court needs to shore up its efforts by any other  
8 written opinions on this matter.

9 But I just don't understand that comment. I really  
10 don't, so I don't need to say anything else about it. But  
11 this system on advanced payments was working quite fine, and  
12 there has been, the way I see it, no complaints that any  
13 moneys were spent on contractors who didn't do their job or  
14 didn't do it well.

15 I've tried to keep up as much as possible with the  
16 amounts being spent on contractors, the payment dates for  
17 those contractors, the projects that they have been doing,  
18 and I think that the projects have gone quite well. So I  
19 was taken aback sometime ago when EPA stopped the money, and  
20 we had to have a powwow on it. And I thought everybody had  
21 worked towards a common goal when they said, okay, here's  
22 what we'll do; we will maintain the protocol we've utilized  
23 so far. And then to find out that that's been changed.

24 So I don't quite understand the thrust of the words,  
25 and let's just see if we can go ahead and work towards a



1 resolution on this matter. You know, because I would like  
2 to think that all of us have the same goals of trying to  
3 satisfy the water needs of a city and to reach a conclusion  
4 that would allow the citizenry to enjoy their constitutional  
5 right to clean water and to move forward like every other  
6 city that's well run. So we'll see.

7 All right. Thank you so much.

8 MR. FINGERHOOD: One last thing, Your Honor.

9 THE COURT: Go ahead. Did your brain trust signal you  
10 for something else?

11 MR. FINGERHOOD: There are terms and conditions that  
12 come with a grant. The -- as I have noted many times, this  
13 matter is not before the Court, but we did provide the  
14 correspondence to the Court, which indicates the rationale  
15 that the Office of Grants and Debarment had with respect to  
16 the issues that led to the March 15th decision.

17 They said there is a road map to put the third-party  
18 manager back on an advanced payment model, and that's  
19 spelled out. Also as an appendix, there is kind of a  
20 history of the back and forth between the third-party  
21 manager and the grants people about these issues. So there  
22 has been a dialogue that's been going on.

23 THE COURT: I'm going to pull everything out, and,  
24 again, go back over it one more time. But I just want to  
25 work out how best we get back to the advanced payment

1 schedule, because it's just too hard to expect or too dismal  
2 to expect that folk want to be on a system where they can't  
3 be guaranteed to get paid after they have already expended  
4 their efforts.

5 So we'll all get back together on this. And we're  
6 going to see what we can get done and what kind of timeframe  
7 we're looking at, because we have to try and move forward  
8 fast on this. And so I will look at all the regs again, and  
9 see if there's anything in there that I have questions  
10 about. And if so, then without requiring you to leap onto a  
11 plane and come down here, we can do it by telephone and see  
12 what we can get done on that. Okay?

13 MR. FINGERHOOD: Thank you, Your Honor.

14 THE COURT: Okay. Thank you very much.

15 Now, I assume that Ms. Brain Trust has communicated all  
16 she needs to communicate. Is that so, Ms. Paige?

17 MS. PAIGE: For the most part, yes, Your Honor. If I  
18 could just say one thing? And that is the report that  
19 Mr. Fingerhood referred to earlier does lay out substantial  
20 issues that JXN Water has and has not complied with. And so  
21 as a result of the noncompliance, that is why the action was  
22 taken by the Office of Grants and Debarment. And so we  
23 would ask Your Honor to look back very carefully at those  
24 things and that sequence of events that have led to this.

25 And the only other thing I'd say, Your Honor, is that

1       there's been no proven impact. He has not shown that none  
2       of his vendors will not be paid. He hasn't given it a  
3       chance. He said in the last hearing that there would be two  
4       weeks, but the two weeks was the outset for the amount of  
5       time that he's had. So he hasn't proven any impact. It's a  
6       change in the process, and it's because of things that JXN  
7       Water has not implemented. And we're giving him the road  
8       map to try to do that. It's not pointing the finger at him.  
9       It's just making sure that the taxpayer dollars are spent in  
10      the way that they're supposed to be. He signed the -- an  
11      agreement that said that he would operate within those  
12      confines, and we're just asking him to do that.

13           THE COURT: Well, now, you heard him read off a  
14      paragraph from the consent order. Did you hear that?

15           MS. PAIGE: I did.

16           THE COURT: Okay. And it also said that, if practical,  
17      unless it was not practical, that EPA would agree to that.  
18      So are you saying that it's not practical?

19           MR. FINGERHOOD: Your Honor, if I may, I don't believe  
20      in tag team attorneys here. But there also were terms and  
21      conditions in the actual grant itself, but "practicable"  
22      means -- I think you know it's something that can be done,  
23      and I think what the Office of Grants and Debarment have  
24      laid out in their letter are things that can be done. If  
25      it's impracticable, that would mean something that he could

1 not do. But I think that the belief is that these are  
2 things and procedures that he can do, and so that's -- that  
3 language is --

4 THE COURT: You know what I thought? What I thought in  
5 the spirit in which you were addressing me before that these  
6 are things that he's working towards and make sure he gets  
7 them. Once he's notified of all these regulations and  
8 stuff -- and there are quite a few regulations -- that he's  
9 doing that. And just like he's been working hard to try and  
10 satisfy all the regulations that come with this grant of  
11 money, which is a large sum of money, which also has some  
12 impact on the Court, because I have to review it. I have to  
13 review the expenditures on these matters, so he is not the  
14 only one who is looking at that.

15 And so just as he has his duties to perform to make  
16 sure he is trying to do things as expeditiously as possible,  
17 so do the other parties to this litigation, which is what I  
18 spoke about earlier. And, of course, I don't know how long  
19 all counsel at your table have been involved for 13 years,  
20 you know, on the -- on this matter, at least on the sewage  
21 matter. But then there are a whole lot of questions about  
22 that, but as I said before, we need not get into all those  
23 matters, because what we're trying to do is go forward. And  
24 so we're not trying to put logs on the fire.

25 What we're trying to do is just make sure we go

1 forward, because, if so, there's a whole lot that could be  
2 said and a whole lot of -- of irritation that could be  
3 mentioned on this matter. So let's not do that. So thank  
4 you so much.

5 MR. FINGERHOOD: Thank you.

6 THE COURT: There is a motion for leave to file suit by  
7 the Lakeland Seniors. Are these parties here? These are  
8 lawyers?

9 MR. MARTIN: Judge, if I could, Drew Martin, for the  
10 city. I don't think University Medical Center would have  
11 gotten notice that the Court was going to hear that today,  
12 and they are one of the parties to that litigation.

13 THE COURT: You say you don't think they got notice?

14 MR. MARTIN: I assume they didn't. I don't think  
15 anybody's here for UMC. Is that correct? The Court -- I  
16 think the Court -- well, the email I saw was Friday  
17 afternoon, and the city is prepared to move forward with  
18 that motion if the Court wants to hear it. I just wanted to  
19 advise the Court that UMMC probably doesn't have anyone  
20 here.

21 THE COURT: Okay.

22 MR. MARTIN: In fact, does not have anyone here.

23 THE COURT: Do I have everybody else here?

24 MR. MARTIN: I believe so. And, Judge, the reason they  
25 wouldn't have gotten the notice is because they're not a

1 party to this litigation; that is, the consent decree  
2 stipulated order litigation. They would have only seen it  
3 on the docket that is the underlying litigation with  
4 Lakeland Seniors and the city and UMMC.

5 THE COURT: Okay. Now, who is the respondent in that  
6 motion?

7 MR. MARTIN: Well, I think JXN Water is. The city  
8 filed a response as well, but certainly JXN Water is  
9 probably the primary respondent, I would think.

10 THE COURT: Okay. Let's do this, unless it interferes  
11 with your schedules too much. It is now 11:58, and so we  
12 can take a lunch break, and take a lunch break until 1:30.  
13 Let me see -- 12:00 to 1:30. In the meantime, you can call  
14 up the missing party and see if that attorney would be  
15 available later at 1:30, both in body and mind, to go  
16 forward on the motion. If not, then I'll just simply set it  
17 for another day.

18 MR. MCGUFFEY: We can do that, Your Honor.

19 MR. MARTIN: Yes, sir, we can do that.

20 THE COURT: Okay. So then I'll see you all back here  
21 at 1:30 then. Okay?

22 MR. MARTIN: Thank you, Judge.

23 THE COURT: All right. That's for everybody else. See  
24 you at 1:30.

25 MR. CALAMITA: Your Honor?

1 THE COURT: Yes?

2 MR. CALAMITA: Your Honor, before we close, there's  
3 just one thing I have to correct. The last representative  
4 from the Department of Justice suggested that Mr. Henifin  
5 was in noncompliance with this grant. Your Honor, that is  
6 not correct.

7 They raised four issues. The first is that he was not  
8 tying his drawdowns to specific invoices. That has not been  
9 the case since November. As soon as he was notified, he  
10 changed that practice. He's in full compliance.

11 The second issue was that he was holding on, he drew  
12 down extra money, which is contrary to the regulations, but,  
13 again, that is not a current practice. That practice has  
14 stopped. He only draws down against a specific invoice.

15 The third was that he's paying excess payroll, Your  
16 Honor. And what that is is supplemental pay that he's  
17 paying to some of the key JXN Water people.

18 Your Honor considered specifically and at length, that  
19 supplemental pay last July in your status conference, and in  
20 your order on that status conference, you approved that  
21 supplemental pay, Your Honor. EPA, last Friday in their  
22 letter, or two weeks ago, disapproved what Your Honor had  
23 proved and said that the grant money can't cover that  
24 supplemental pay. Mr. Henifin disagrees vehemently, but he  
25 has acquiesced so that that supplemental pay will come from

1 other funds.

2 And the last allegation of noncompliance is that he  
3 doesn't have adequate institutional controls over the  
4 grants, which we think is absolutely incorrect, Your Honor.  
5 We had told the Department of Justice that Mr. Henifin, last  
6 year, put a bid out, a six-figure position, Your Honor, in  
7 Jackson, Mississippi for somebody to manage these grants and  
8 did not get any acceptable people, and the conversation I  
9 had with DOJ, Your Honor, was that he would redo that job  
10 posting on Indeed to see if he could get somebody.

11 Instead, he's going to use HORNE. But that's the last  
12 thing they say that he's in noncompliance for, he didn't  
13 have institutional controls. That institutional control  
14 requirement is a vague one. It's a narrative requirement.  
15 It doesn't say he has to have an outside person.

16 My view was he was doing it perfectly fine. But,  
17 again, we have yielded to them, so as we sit here today, I  
18 don't think there's a single allegation of noncompliance,  
19 and if we had had the opportunity to talk to them, as the  
20 Court contemplated in the last status conference, I don't  
21 think we would be going down this path.

22 And the last thing I'll say is the harm here, which is  
23 today's harm, for Your Honor and Mr. Henifin, is that every  
24 contract he signs, he really doesn't know if he can pay it,  
25 Your Honor, because some independent party who, by the way,



1 in the same letter disapproved the supplemental pay for the  
2 city employees. So it's not like the grants people aren't  
3 willing to, you know, put their views on these contracts on  
4 things that are most critical to us, like, how we pay our  
5 people.

6 When Mr. Henifin signs a contract for somebody to make  
7 a repair, he doesn't know that he's going to have money to  
8 do that. And none of my other clients are in that position,  
9 and, quite frankly, nobody on this -- in the status  
10 conference today signs contracts they don't know whether or  
11 not they can pay.

12 So I'll would stop there, but I would ask the Court I  
13 think this should be expeditiously resolved, because  
14 Mr. Henifin, the couple of outstanding allegations are no  
15 longer accurate, and the one or two that they raised,  
16 Mr. Henifin has conceded on, so I would hope it's not  
17 six months. I would hope it's two weeks, and we get back to  
18 the proper approach where Mr. Henifin knows he can pay a  
19 contract when he signs it.

20 Thank you, Your Honor.

21 THE COURT: Okay. All right then. Now, for the people  
22 who are going to be here -- counsel, you want to add  
23 something?

24 MR. FINGERHOOD: Just quickly, Your Honor.

25 THE COURT: Okay.

1 MR. FINGERHOOD: All those matters can be raised  
2 administratively. And, in fact, I believe Mr. Henifin has  
3 already raised those in -- at least many of those in the  
4 papers he's already submitted to the EPA Office of Grants  
5 and Debarment.

6 THE COURT: Well, that's my understanding, that those  
7 things have already been raised. I read all those, and --  
8 but like I said before, that I would hate to see the parties  
9 devolve into challenges to each other on matters that's  
10 supposed to be handled administratively, because if that's  
11 the case, then the Court has enough matters that he could  
12 bring up concerning EPA. And so -- but that's not why we're  
13 here. We're here to try and see if we can reach a  
14 resolution on it. Thank you.

15 Yes?

16 MR. TOM: Good afternoon, Your Honor. Joshua Tom, on  
17 behalf of the proposed intervenor plaintiff. I just wanted  
18 to raise whether Your Honor expected to hear that motion  
19 today? We'd be happy to talk about that today or at another  
20 time of the Court's choosing.

21 THE COURT: Who are your opposite numbers? Are they  
22 here today?

23 MR. TOM: Yes. Everybody's here -- all of the people  
24 that should be here are here today.

25 THE COURT: Are you prepared to go forward on that?

1 MR. TOM: If we could do that, yes, sir.

2 THE COURT: I had put it down --

3 MR. TOM: Okay.

4 THE COURT: -- to go forward on it, because then I was  
5 going to hear this first one, I told everybody 1:30, now  
6 it's going to be 1:45, because we're going to be at 1:45  
7 pretty soon. But I had put it down to hear it, so I would  
8 like to hear it.

9 MR. TOM: That's great. Thank you, Your Honor.

10 THE COURT: So unless -- unless it's causing some  
11 serious problems on schedule-wise for some of the other  
12 persons involved with that motion, I'd like to go forward on  
13 it.

14 MR. TOM: That's great.

15 THE COURT: Okay.

16 MR. TOM: All right.

17 THE COURT: We'll see what we have. 1:45 then on the  
18 first one.

19 (A recess was taken at 12:08 p.m.)

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**COURT REPORTER'S CERTIFICATE**

I, Caroline Morgan, Official Court Reporter for the United States District Court for the Southern District of Mississippi, do hereby certify that the above and foregoing pages contain a full, true, and correct transcript of the proceedings had in the forenamed case at the time and place indicated, which proceedings were stenographically reported by me to the best of my skill and ability.

I further certify that the transcript fees and format comply with those prescribed by the Court and Judicial Conference of the United States.

THIS, the 27th day of March, 2024.

/s/ Caroline Morgan, CCR

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